

AMENDED IN ASSEMBLY JUNE 4, 2002
AMENDED IN SENATE JANUARY 29, 2002
AMENDED IN SENATE JANUARY 14, 2002
AMENDED IN SENATE MAY 31, 2001
AMENDED IN SENATE MAY 10, 2001

SENATE BILL

No. 444

Introduced by Senator Perata

February 21, 2001

An act to add Section 50662.8 to the Health and Safety Code, relating to housing assistance.

LEGISLATIVE COUNSEL'S DIGEST

SB 444, as amended, Perata. Disaster relief: owner-occupied dwellings.

Existing law establishes within the State Treasury the Housing Rehabilitation Loan Fund, a fund continuously appropriated to the Department of Housing and Community Development for, among other purposes, making deferred payment rehabilitation loans and deferred payment loans. Existing law authorizes financial assistance for the purposes of repairing, including reconstructing, owner-occupied dwellings and rental dwellings of ~~one~~ 1 to 4 units that were damaged or destroyed as a result of a natural disaster resulting in a state of emergency.

Existing law provides that the outstanding balance of loans for owner-occupied dwellings becomes due and payable after 30 years or when the borrower transfers ownership of the rehabilitated property or

fails to occupy the rehabilitated property, whichever comes first. For rental dwellings the term of the loan is 20 years.

This bill would authorize loan assumption for loans for *certain* owner-occupied dwellings in specified circumstances. The bill would require the department to, among other things, with respect to these loans for owner-occupied dwellings *generally*, annually mail statements with specified information to the borrowers of the loans, and adopt a written application process and evaluation guidelines for borrowers pursuing loan subordination or assumption.

The bill would also authorize the department to delay the foreclosure of loans for owner-occupied dwellings if the department determines that its security interest is not jeopardized.

The bill would authorize the department to adopt guidelines to implement these provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 50662.8 is added to the Health and
2 Safety Code, to read:

3 50662.8. (a) Notwithstanding paragraph (1) of subdivision
4 (d) of Section 50662.7, with respect to any loans made pursuant
5 to subdivision (b) of that section ~~for owner-occupied dwellings,~~
6 ~~the department shall allow the loan to be assumed by any of the~~
7 ~~following persons if the new borrower occupies or will occupy the~~
8 ~~rehabilitated property as a principal place of residence and can~~
9 ~~demonstrate to the satisfaction of the department an ability to~~
10 ~~repay the loan:~~

11 (1) ~~A spouse or domestic partner of the original borrower who~~
12 ~~receives ownership of the rehabilitated property.~~

13 (2) ~~A child of the original borrower who receives ownership of~~
14 ~~the rehabilitated property and who, in the year prior to the year of~~
15 ~~the loan assumption, had an annual family income of less than 150~~
16 ~~percent of the statewide median income, as adjusted for family~~
17 ~~size.~~

18 (b) ~~The outstanding balance of a loan assumed under this~~
19 ~~section, including principal and accrued interest thereon, shall be~~
20 ~~due and payable, upon the occurrence of any one of the following:~~

21 (1) ~~Five years have elapsed since the assumption of the loan.~~

1 ~~(2) The borrower transfers ownership of the rehabilitated~~
2 ~~property.~~

3 ~~(3) The borrower fails to occupy the rehabilitated property as~~
4 ~~his or her principal place of residence. prior to 1992 that were~~
5 ~~lifetime deferred loans for victims of the Loma Prieta earthquake~~
6 ~~for owner-occupied dwellings, the department may allow the loan~~
7 ~~to be assumed, only if all of the following are true:~~

8 *(1) The original borrower dies.*

9 *(2) The assumption is by a member of the original borrower's*
10 *household and is a spouse, domestic partner, or child of the*
11 *original borrower, or is the inheritor of the home.*

12 *(3) The person assuming the loan will continuously reside in*
13 *the home as his or her principal place of residence. If the person*
14 *assuming the loan moves to another residence, the loan shall*
15 *become immediately due and payable.*

16 *(4) The total income of the household assuming the loan is at*
17 *or below 150 percent of the area median income, adjusted for*
18 *household size.*

19 *(5) The assumption is for a period of five years, at the*
20 *conclusion of which the borrower must repay the loan.*

21 *(6) The person assuming the loan does not transfer the home to*
22 *any other person or entity.*

23 *(b) The department shall not permit subordination of a loan*
24 *assumed pursuant to subdivision (a), except under the following*
25 *circumstances:*

26 *(1) The total household income of the borrower's household is*
27 *at or below 150 percent of the area median income, or, in the case*
28 *of extreme hardship, where borrowing becomes necessary to either*
29 *protect the health and safety of the occupants, or pay health care*
30 *costs for the borrower's immediate family.*

31 *(2) The total principal of the loans senior to the department's*
32 *loan is unchanged or decreased and the department's security*
33 *interest is not jeopardized, as determined by the department.*

34 *(c) With respect to any loans made pursuant to subdivision (b)*
35 *of Section 50662.7 for owner-occupied dwellings, the department*
36 *shall do all of the following:*

37 *(1) Annually mail, by the end of January, to any borrower who*
38 *has an outstanding balance a statement that provides all of the*
39 *following information:*

40 *(A) The principal loan balance.*

- 1 (B) The interest accrued to the date of the statement.
2 (C) The interest percentage rate.
3 (D) Payment instructions.
4 (E) Contact information, including a telephone number and
5 mailing address for borrower inquiries.
- 6 (2) By July 1, 2003, adopt a written application process and
7 evaluation guidelines to authorize the transfer of the borrower's
8 loan obligations described in subdivision (a) or the subordination
9 of the deed of trust. The department shall provide a summary of
10 this process and the guidelines with all statements mailed on or
11 before February 1, 2004.
- 12 (3) Mail to the party that applies to the department to
13 subordinate or assume the loan, the department's decision to
14 approve or deny the application within 60 days of receipt, along
15 with a statement of reasons for any denial.
- 16 (d) With respect to any loans made pursuant to subdivision (b)
17 of Section 50662.7 for owner-occupied dwellings, the department
18 may delay the foreclosure of the loan if the department determines
19 that its security interest is not jeopardized.
- 20 (e) *The department may adopt guidelines for implementation of*
21 *this section.*

